

Magellan Financial Group Limited

Investor Relations Information Pack September 2019





Overview and History

Magellan Financial Group

- Specialised global equities fund manager investing over the medium to long term
- Over A\$92 billion in funds under management
- ASX-listed top 100 company
- Over 120 employees
- Two segments:
 - Magellan Asset Management (funds management business)
 - Principal Investments (balance sheet investments)
- Significant director and employee ownership
- Simple and scalable philosophy
- Based in Sydney with offices in Melbourne, Brisbane, Perth, Adelaide, Auckland and Chicago

Investment Strategies

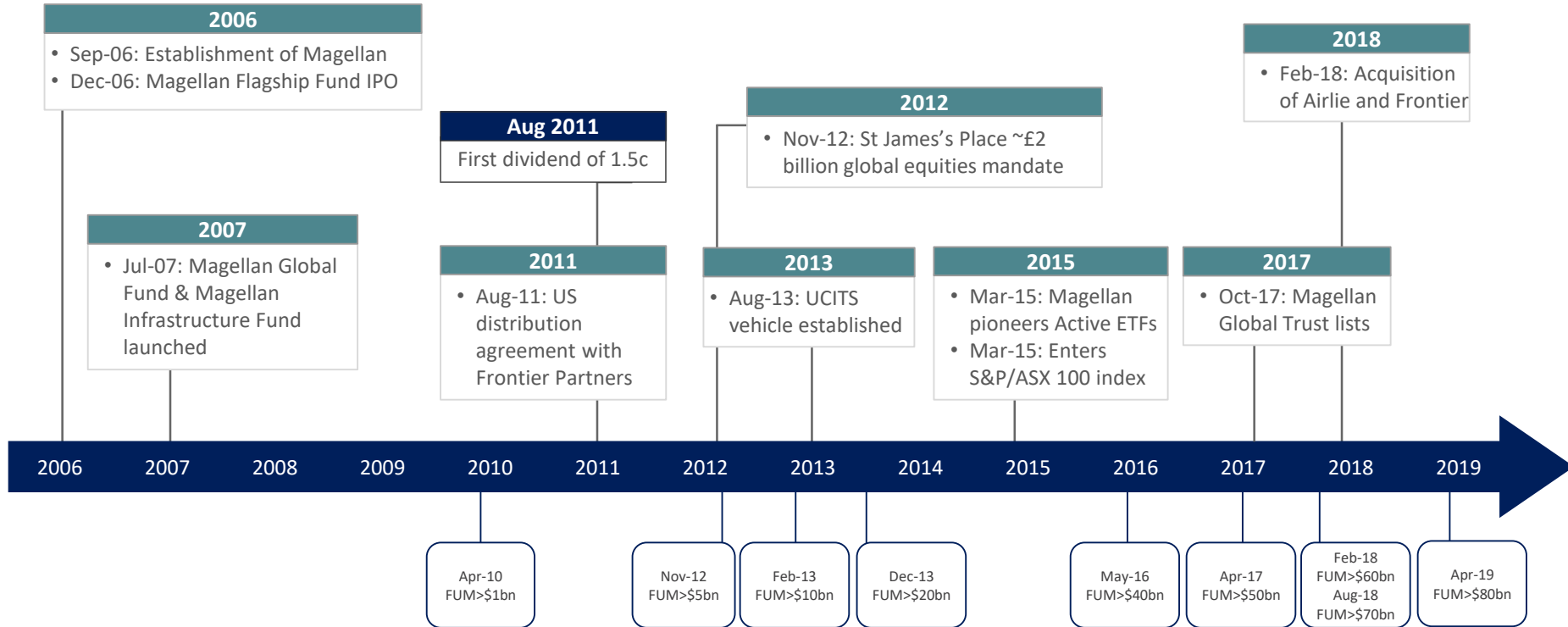
As at 30 August 2019

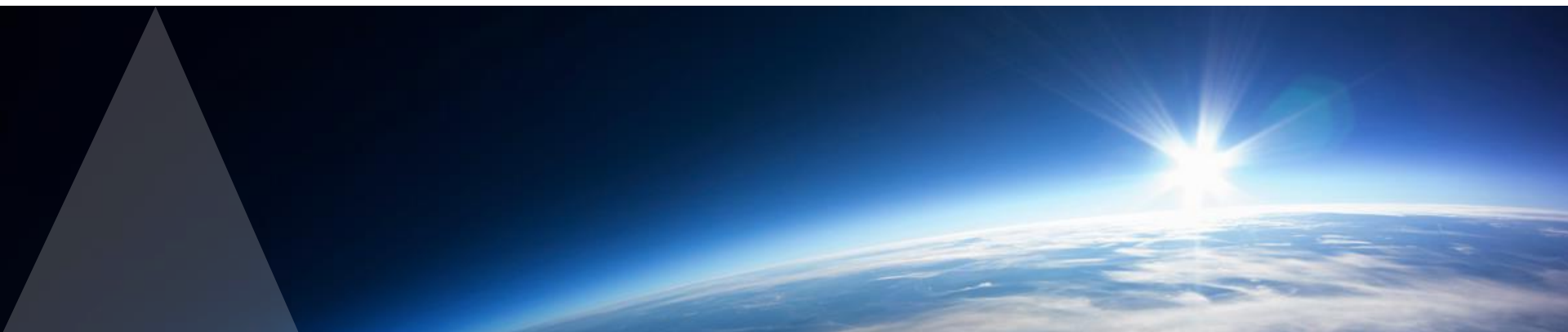
Investment Strategy	Portfolio Managers	Description	FUM (A\$bn)
Global Equities	Hamish Douglass Stefan Marcionetti Chris Wheldon	<ul style="list-style-type: none"> Global Equities, High Conviction, Global Trust Specialised and focused global equity strategy 	68.3
Global Listed Infrastructure	Gerald Stack Ofer Karliner Ben McVicar	<ul style="list-style-type: none"> Select (specialised and focused global listed infrastructure strategy) and Core (enhanced beta strategy) 	16.2
Sustainable	Dom Giuliano Alan Pullen	<ul style="list-style-type: none"> Two strategies: Global, US Relatively concentrated portfolios of 20 to 50 securities Low carbon overlay 	nm
Australian Equities (Airlie Funds Management)	John Sevier Matt Williams Emma Goodsell	<ul style="list-style-type: none"> Specialised and focused Australian equities strategies Concentrated portfolios of Airlie's best ideas 	7.6
			92.1

History

- Established in 2006 by Hamish Douglass and Chris Mackay
 - Hamish Douglass: Prior to Magellan, Hamish was Co-Head of Global Banking for Deutsche Bank AG in Australia and New Zealand
 - Chris Mackay: Prior to Magellan, Chris was Chairman of UBS Australasia, having previously been its Chief Executive Officer
- Commenced trading on ASX in 2006 through the restructure and recapitalisation of an existing listed entity
- The company was originally capitalised with >\$100 million for working capital and to initially seed the investment strategies

History (cont.)





Overview of Funds Management Business

Investment Strategies

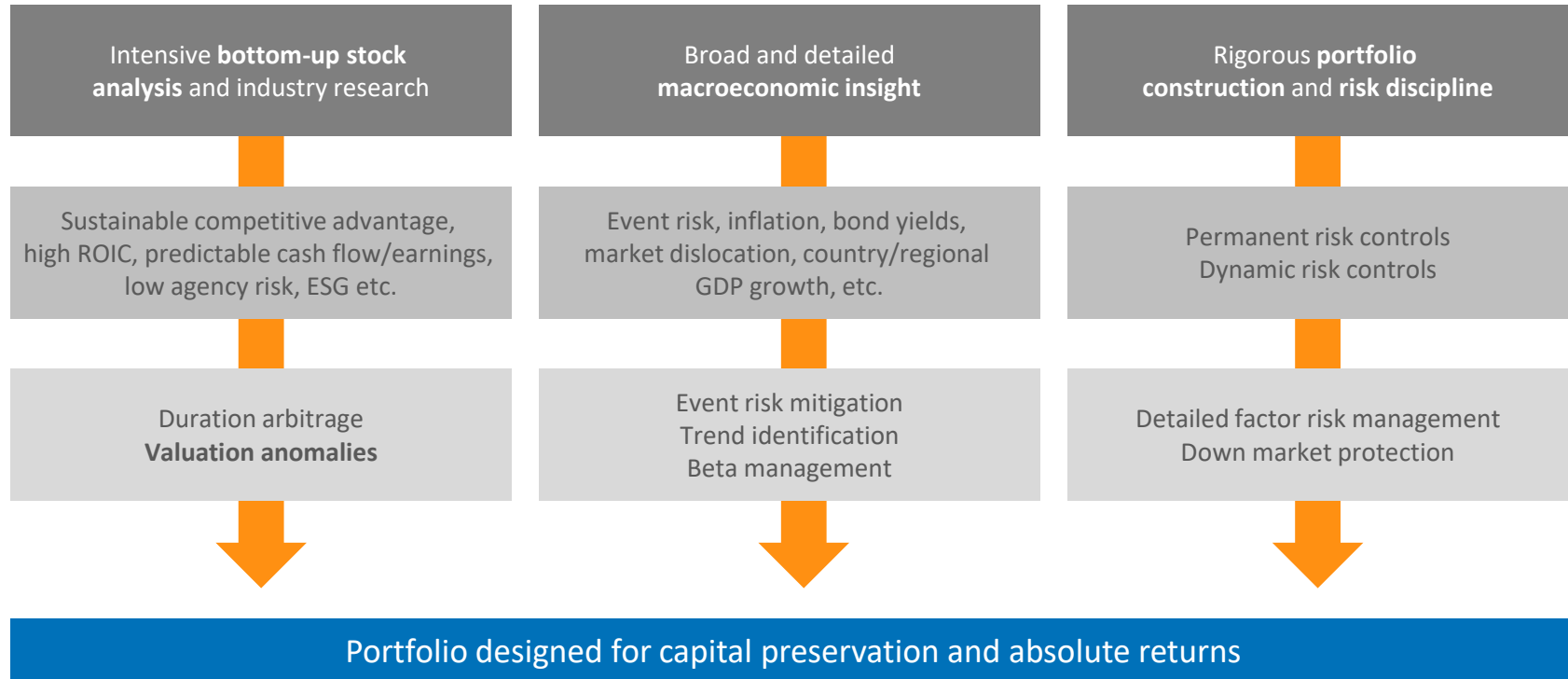
Investment Strategies

Global equities strategy

- Investment objectives:
 - To achieve attractive risk adjusted investment returns over the medium to long-term
 - To minimise the risk of permanent capital loss
- Focused portfolio of high quality global investments
- Robust investment process and risk controls
- Macro-economic (global & regional) overlay
- Sector thematics (eg cashless society)
- Intensive bottom-up stock and industry analysis
- Portfolio turnover of 13.7% p.a. since inception

Investment process

Multiple alpha generation process



Investment Strategies (cont.)

Global listed infrastructure strategy

- Focus on “true” infrastructure and regulated assets
 - Earnings not susceptible to competition, commodity prices or sovereign risk
 - Require at least 75% of earnings to be derived from pure infrastructure assets
- Rigorous assessment to find investments that are mispriced
- Two underlying strategies:
 - “Select”: actively managed portfolio of 20 to 40 infrastructure stocks
 - Portfolio turnover of 13.3% p.a. since inception
 - “Core”: enhanced beta strategy

Investment Strategies (cont.)

Sustainable Strategies

- Leverage Magellan's existing intellectual capital and investment processes
- Low Carbon overlay is targeting a real client need:
 - Managing carbon risk is becoming increasingly important to many institutional investors and asset consultants globally
- Magellan's approach is highly differentiated to the majority of products in this space
- Portfolio Managers promoted from within the Investment Team
- Reaches 3 year performance track record milestone in 4Q 2019

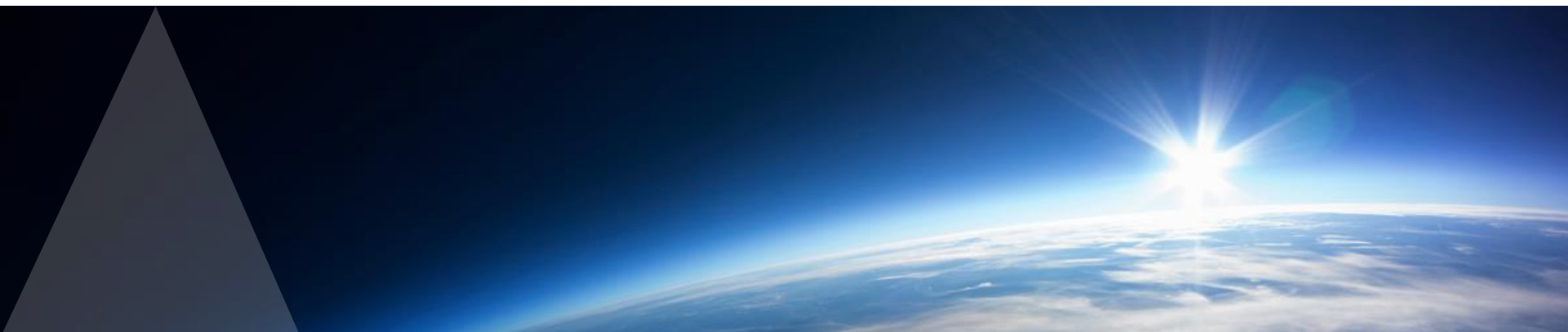
Investment Strategies (cont.)

Australian Equities

- Managed by Airlie Funds Management
- Airlie has an active, value-based investment style that aims to deliver attractive long-term capital growth and regular income to its investors
- Founded in 2012 by John Sevier and David Cooper, and headquartered in Sydney, Airlie manages a range of Australian equities strategies, primarily for institutional and high net wealth clients
- Magellan purchased Airlie in early 2018, providing retail investors exclusive access to Airlie's investment expertise for the first time, through the Airlie Australian Share Fund

Funds Under Management Summary

	30 June 2019		30 June 2018		30 June 2017	
Closing FUM (\$ billion)		%		%		%
Retail	23.2	27%	19.2	28%	15.2	30%
Institutional	63.5	73%	50.3	72%	35.4	70%
Total FUM	86.7	100%	69.5	100%	50.6	100%
Average FUM (\$ billion)						
Retail	20.4		17.3		13.6	
Institutional	55.4		41.7		32.1	
Total average FUM	75.8		59.0		45.7	
Breakdown of Closing FUM (\$ billion)		%		%		%
- Global Equities	64.0	74%	52.7	76%	42.3	84%
- Global Listed Infrastructure	15.2	17%	10.3	15%	8.3	16%
- Australian Equities	7.5	9%	6.5	9%	-	-
Total FUM	86.7	100%	69.5	100%	50.6	100%
Average Base Management fee (bps) per annum (excl Perf Fee)		62		65		66
FUM subject to Performance Fees (%)		33%		34%		38%



Overview of Funds Management Business

Distribution

Retail Business – Channels to Market

Intermediated

- Financial advisers, stockbrokers and private client advisers across independent and aligned groups
- Relationship driven
- Strong distribution team with 14 client facing employees

Self-directed

- Active ETFs combined FUM of \$2.1 billion with ~31,000 direct unitholders
- Magellan Global Trust FUM of \$2.3 billion with ~35,000 direct unitholders
- Launch of Magellan High Conviction Trust expected to list in October 2019

Institutional Business

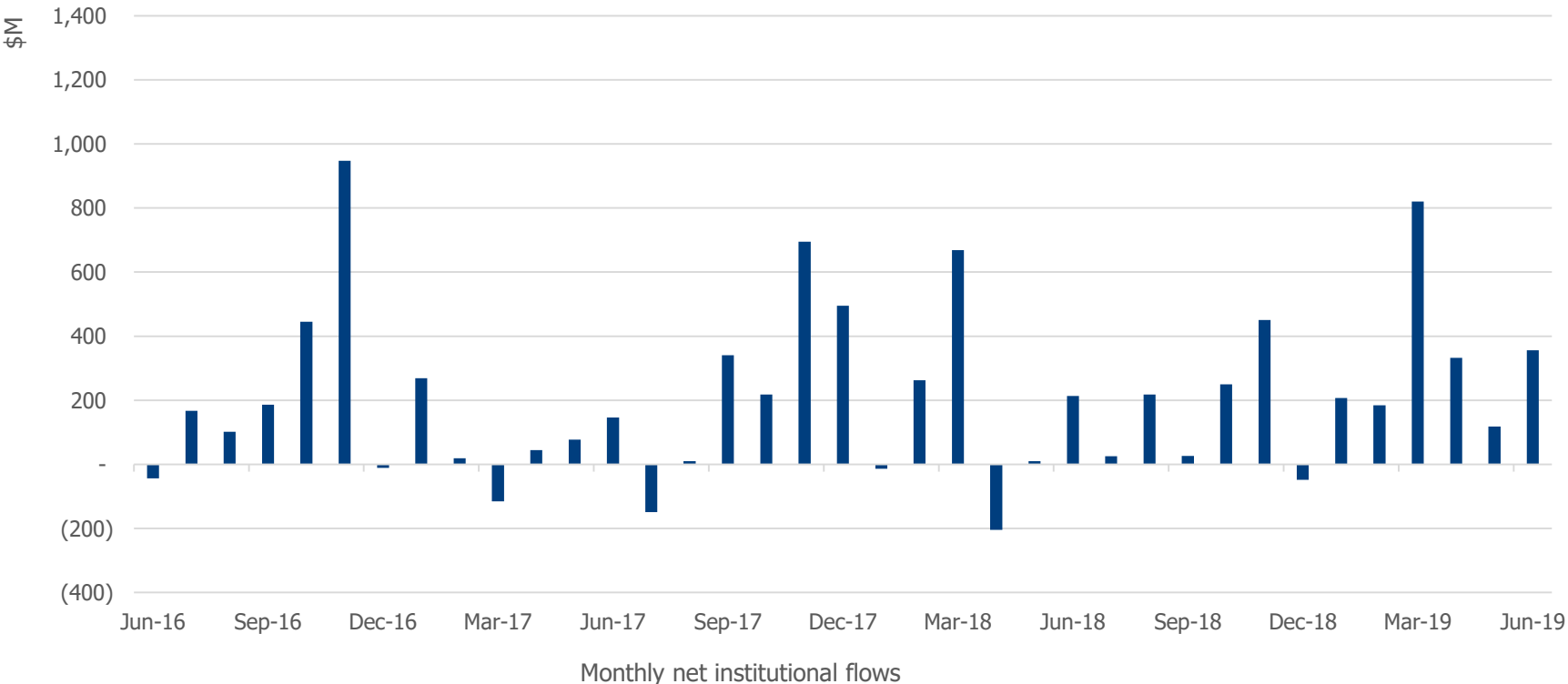
- Total institutional FUM is \$63.5 billion at 30 June 2019 (30 June 2018: \$50.3 billion)
 - Global equities \$44.0 billion
 - Global listed infrastructure \$12.0 billion
 - Australian equities \$7.5 billion
- More than 140 institutional clients¹ at 30 June 2019
- Closed global equities strategies managed by Hamish Douglass to new institutional investors on 31 December 2017². Certain clients have reserved capacity

1. The number of clients include separately managed accounts and institutional investors in local and offshore vehicles.

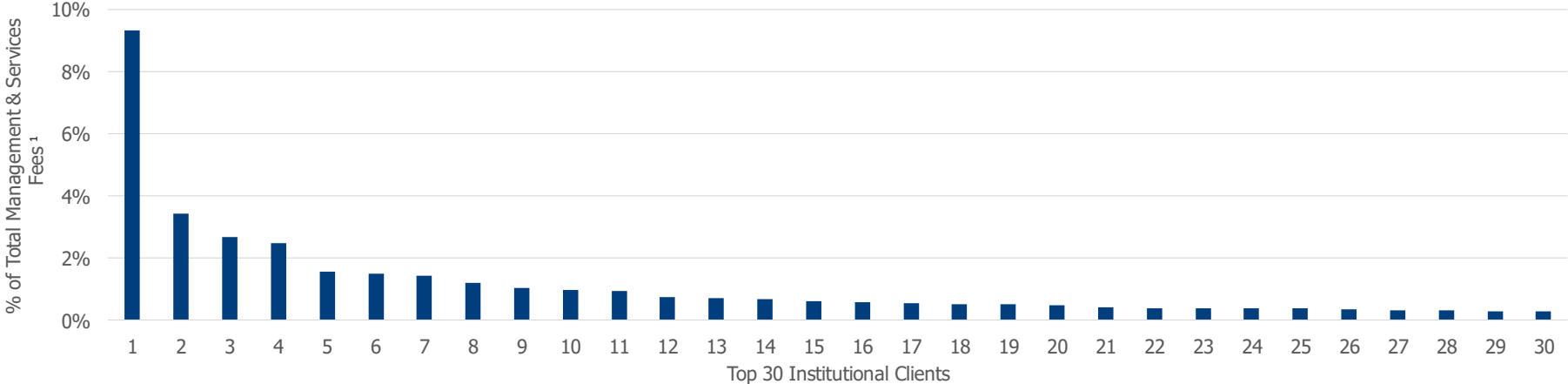
2. U.S. mutual fund will remain open with some allocated capacity.

Institutional Net Flows

Institutional flows tend to be lumpy and difficult to forecast



Institutional Client Diversity



Cumulative Total Management and Services Fees

Top Institutional Clients	5	10	20	30
%	20	26	32	36

1. Management and services fees for the 12 months to 30 June 2019 for separately managed accounts and institutional investors in local and offshore vehicles. Excludes Performance fees.

Institutional Business

US distribution

- In 2011, Magellan entered into US distribution relationship with Frontier Partners
- Two way exclusivity of marketing and distribution of Magellan's global equities and global listed infrastructure strategies
- In February 2018, Magellan acquired Frontier Partners
 - Bill Forsyth, Frontier's founder, has become Executive Chairman of Magellan's business in North America and leads the development of the business in North America
 - Strategically important for the ongoing development of Magellan, adding significant focus to institutional distribution activities in North America
 - Frontier's third party fund manager distribution business (ex-Magellan) remains unchanged

Fee Summary

	Base Fee p.a. ¹	Performance Fee
Magellan Global Fund	1.35%	Yes
Magellan Global Fund (Hedged)	1.35%	Yes
Magellan Global Equities Fund	1.35%	Yes
Magellan Global Equities Fund (Currency Hedged)	1.35%	Yes
Magellan Global Trust	1.35%	Yes
Magellan High Conviction Fund	1.50%	Yes
Magellan High Conviction Fund – Class B	0.78%	Yes
Magellan Infrastructure Fund	1.05%	Yes
Magellan Infrastructure Fund (Unhedged)	1.05%	Yes
Magellan Infrastructure Fund (Currency Hedged)	1.05%	Yes
Magellan Core Infrastructure Fund	0.60%	No
Airlie Australian Share Fund	0.78%	No
Frontier MFG Global Equity Fund	0.80%	No
Frontier MFG Global Plus Equity Fund	0.80%	No
Frontier MFG Core Infrastructure Fund	0.70%	No
Frontier MFG Select Infrastructure Fund	0.80%	No
MFG Global Fund (UCITS)	0.80%	No
MFG Select Infrastructure Fund (UCITS)	0.80%	No
MFG Global Sustainable Fund (UCITS)	0.80%	No
<u>Global Equities institutional fee scale</u>		
First US\$ 200m	0.60%	
Above US\$ 200m	0.50%	

1. Exclusive of the net effect of GST, where applicable



Overview of Principal Investments Segment

Principal Investments

- Principal Investments include investments in Magellan Funds, listed shares, a small number of unlisted investments and surplus cash after allowing for the Group's working capital requirements

Investment (\$ million)	30 June 2019	30 June 2018
Cash	4.6	0.4
Magellan Unlisted Funds ¹	213.4	173.4
Listed shares/funds ²	125.7	100.9
Other ³	3.8	15.1
Total	347.5	289.8
Deferred tax liability	(24.4)	(9.4)
Net Principal Investments	323.1	280.4
Net Principal Investments per share (cents)⁴	182.5	159.1

1. Magellan Unlisted Funds as outlined in Note 12 of the Financial Statements; 2. Listed shares/funds include seed portfolios and Magellan's listed funds (as outlined in Note 12 of the Financial Statements) excluding receivables/payables (refer to footnote 3); 3. Other comprises receivable/payables and unlisted funds and shares; 4. Based on the aggregate of 177,087,458 ordinary shares on issue at 30 June 2019 (30 June 2018, it is based on 176,211,167 ordinary shares).

Principal Investments (cont.)

- Board has set a pre-tax hurdle 10% p.a. (over business cycle) for the Principal Investments

Investment Returns:

Time Period	Return
1 Year to 30 June 2019	18.6%
3 Years to 30 June 2019 p.a.	16.8%
5 Years to 30 June 2019 p.a.	15.8%
Since Inception to 30 June 2019 p.a. ¹	11.8%

1. Return excludes investment in MFF Capital Investments Limited.



Financials

Magellan Financial Group Financials

Five year summary¹

\$ million	30 June 2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015
Adjusted Revenue ²	577.3	452.6	338.3	333.8	284.9
Adjusted Expenses ²	(104.0)	(101.0)	(82.1)	(74.1)	(54.6)
Adjusted Profit After Tax²	364.2	268.9	196.3	198.4	174.3
Non-IFRS adjustments ²	12.7	(57.1)	-	-	-
Net Profit After Tax	376.9	211.8	196.3	198.4	174.3
Effective tax rate	23.6%	21.7%	23.4%	23.6%	24.3%
Key Statistics					
Diluted earnings per share (cents per share)	213.1	122.0	114.1	115.5	101.8
Adjusted earnings per share (cents per share) ²	205.9	154.9	114.1	115.5	101.8
Dividends (cents per share)	185.2	134.5	85.6	89.3	74.9

1. Where accounting classifications have changed, or where changes in accounting policy are adopted retrospectively, comparatives have been revised and may differ from results previously reported. The above income statement extracts are derived from the published financial statements.

2. Adjustments are made for strategic, non-cash or unrealised items to provide additional meaningful information.

Funds Management Business

\$ million	30 June 2019	30 June 2018	% change
Revenue			
Management fees	467.8	381.1	23%
Performance fees	83.6	39.8	110%
Services fees	4.7	4.7	0%
Other income	5.2	3.2	65%
	561.3	428.7	31%
Expenses			
Employee expense	62.8	51.9	21%
Marketing expense	3.4	11.1	(70%)
Other expense	35.3	34.3	3%
	101.5	97.3	4%
Profit before tax	459.8	331.4	39%
Profit before tax and before performance fees¹	376.2	291.8	29%

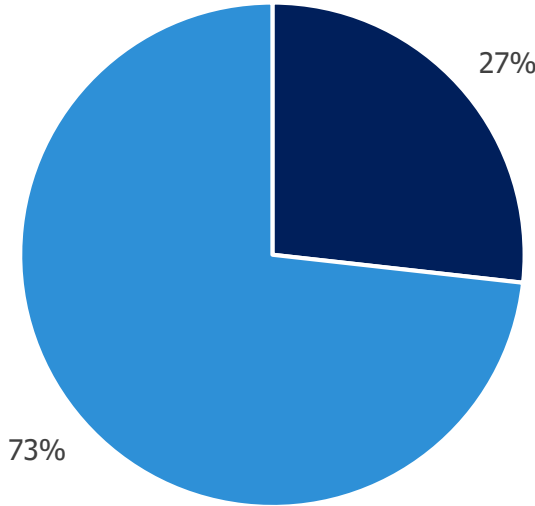
Key Statistics

	30 June 2019	30 June 2018	% change
Average Funds Under Management (\$ billion)	75.8	59.0	28%
Average AUD/USD exchange rate	0.7155	0.7752	(8%)
Avg. number of employees	125	116	8%
Employee expense/total expense	61.8%	53.4%	
Cost/Income	18.1%	22.7%	
Cost/Income (excl performance fees) ¹	21.3%	25.0%	

1. Adjusts for the current period performance fee impact on revenue and expenses for the 12 month period.

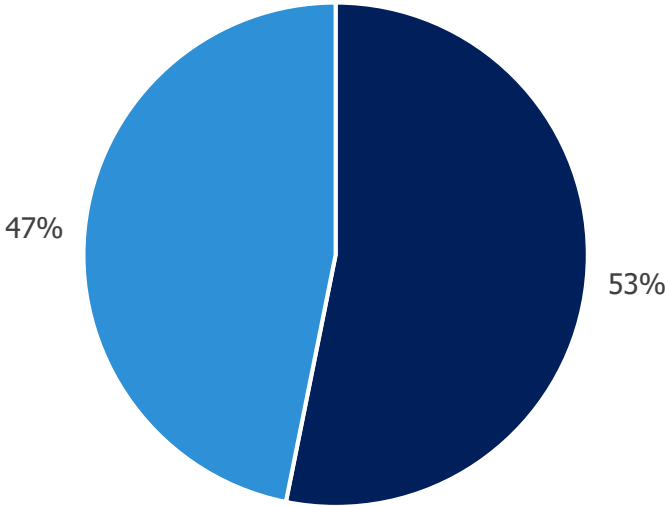
Well-balanced Business

Funds Under Management¹



■ Retail FUM ■ Institutional FUM

Base Fees²

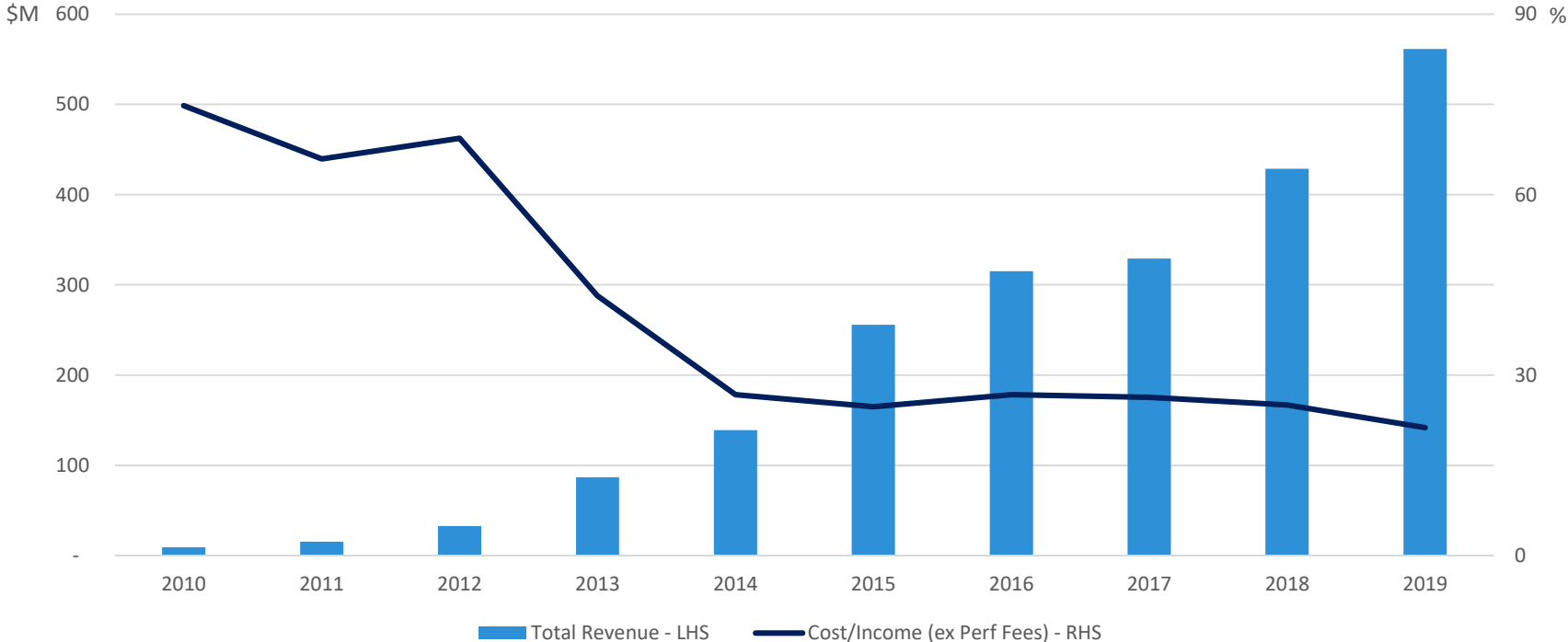


■ Retail Fees ■ Institutional Fees

1. FUM split is as at 30 June 2019.
2. Base Fees are Management and Services fees for the 12 months to 30 June 2019 and exclude Performance fees.

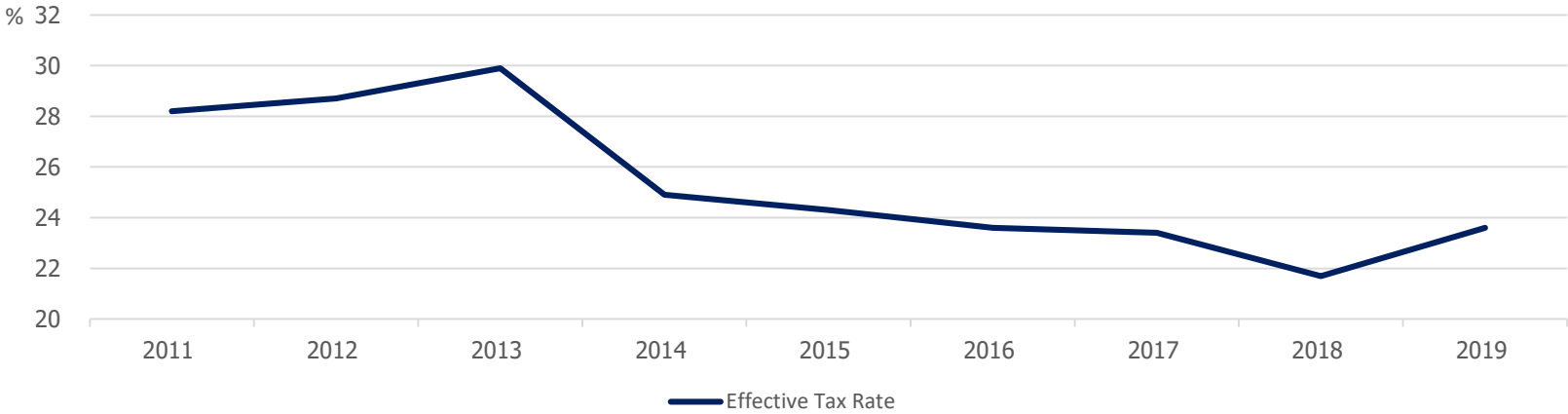
Scalable Business Model

Funds Management Business



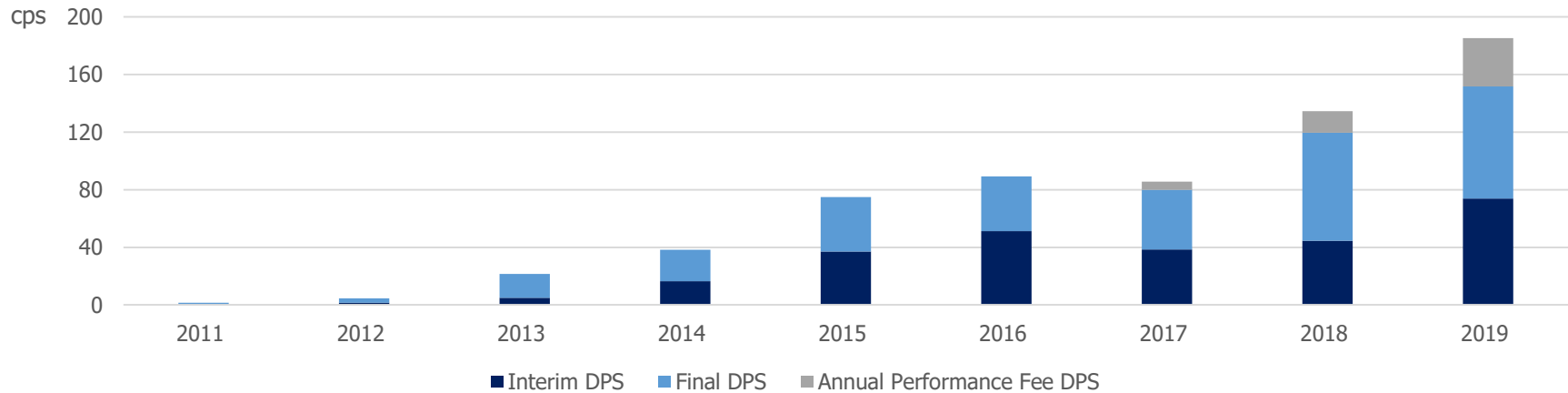
Offshore Banking Unit

- In 2013, Magellan Asset Management was declared an Offshore Banking Unit (OBU)
- Assessable offshore banking income subject to a concessional tax rate of 10% (under current legislation)



Dividend Policy

- Interim and Final Dividends based on 90-95% of profit of funds management segment (excluding performance fees)
- Annual Performance Fee Dividend of 90-95% of net crystallised performance fees after tax
- Subject to corporate, legal and regulatory considerations
- Future dividends will likely be partially franked



Balance Sheet

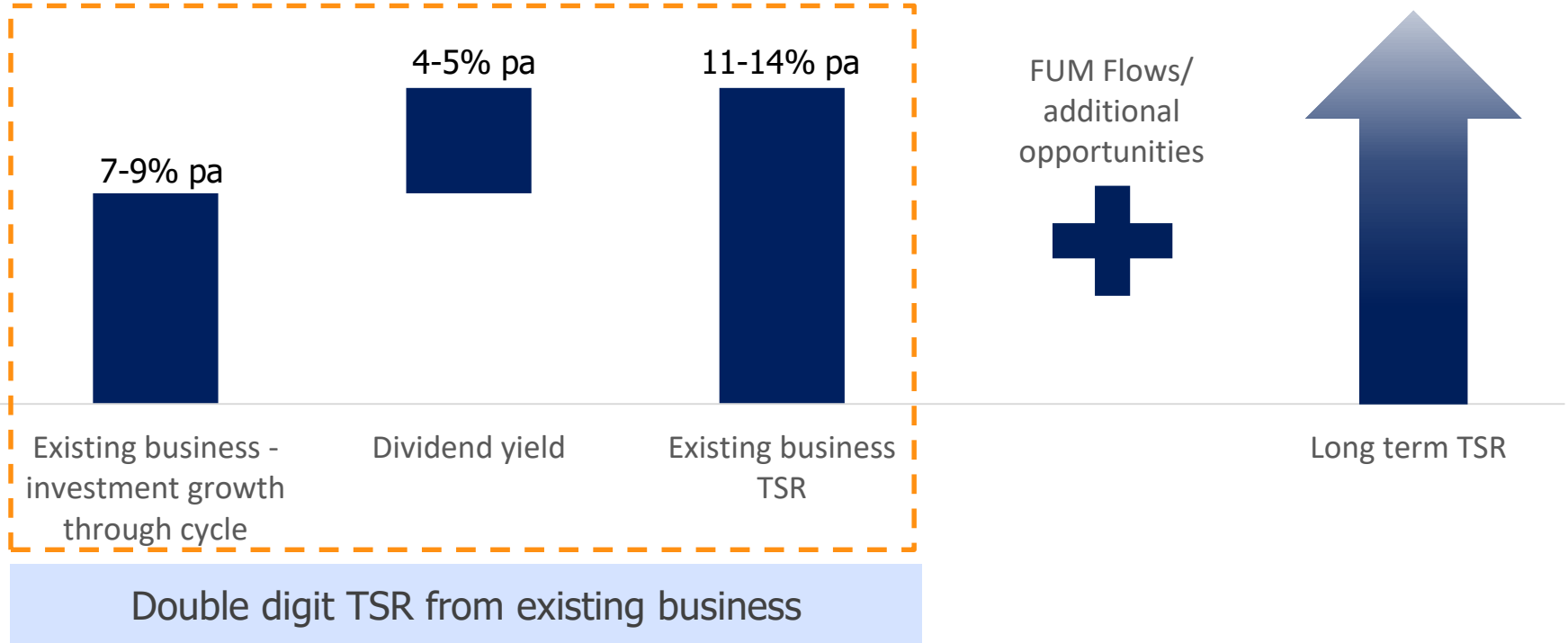
- Cash and liquid assets of \$539.3 million¹
- No debt - undrawn debt facility sized at \$50 million
- Net tangible assets of \$609.5 million

\$'000	30 June 2019	30 June 2018	30 June 2017
Cash and cash equivalents	198,188	169,095	146,243
Receivables	123,812	108,622	71,290
Financial assets	341,093	276,539	264,888
Share purchase plan loans	11,219	12,642	9,757
Goodwill and intangible assets	124,508	105,018	-
Other assets	1,471	3,027	1,803
Total assets	800,291	674,943	493,981
Payables and provisions	35,649	22,826	24,025
Income tax payable	19,355	29,702	4,863
Deferred tax liabilities	9,151	-	15,651
Deferred lease incentives	2,114	1,982	1,831
Total liabilities	66,269	54,510	46,370
Net assets	734,022	620,433	447,611

¹ Calculated as cash and cash equivalents and financials assets

Source: Extracted from the Consolidated Statement of Financial Position included in Magellan Financial Group's audited financial statements

A model for long term Total Shareholder Return (TSR)





Operational and Governance Overview

Operational Overview

Fund structure

Magellan Asset Management Limited (“MAM”)

Australian managed investment schemes

Unlisted

Unregistered scheme

Magellan Core Infrastructure Fund

Airlie Concentrated Share Fund

Registered schemes

Magellan Global Fund

Magellan Global Fund (Hedged)

Magellan High Conviction Fund

Magellan Infrastructure Fund

Magellan Infrastructure Fund (Unhedged)

Airlie Australian Share Fund

ASX quoted / listed

Registered schemes

Magellan Global Equities Fund

Magellan Global Equities Fund (Currency Hedged)

Magellan Infrastructure Fund (Currency Hedged)

Magellan Global Trust

Domestic & offshore institutional mandates

Global Equity mandates¹

Global Plus mandates¹

Core Infrastructure mandates¹

Select Infrastructure mandates¹

Australian mandates²

Investment Manager is:

1. MAM
2. Airlie

North American 1940s Act mutual funds

Frontier MFG Global Equity Fund

Frontier MFG Global Plus Fund

Frontier MFG Core Infrastructure Fund

Frontier MFG Select Infrastructure Fund

MAM is sub-advisor

UCITS funds

MFG Investment Fund plc

MFG Global Fund (sub-fund of MFG Investment Fund plc)

MFG Select Infrastructure Fund (sub-fund of MFG Investment Fund plc)

MFG Global Sustainable Fund (sub-fund of MFG Investment Fund plc)

MAM is promoter and investment manager

Services arrangement

MF Capital Investments (not part of Magellan Financial Group)

MAM provides research & administration services

MAM is trustee

MAM is responsible entity

Board of Directors

- 7 directors
- Executive Chairman
 - Independent Deputy Chairman
- 5 independent directors

Name	Directorship	Joined Board
Hamish Douglass	Chairman and Chief Investment Officer	21 Nov 2006
Brett Cairns	CEO	22 Jan 2007
John Eales	Non-Executive Director	1 July 2017
Robert Fraser	Non-Executive Director and Chairman of MAM	23 Apr 2014
Paul Lewis	Non-Executive Director	20 Dec 2006
Hamish McLennan	Non-Executive Director and Deputy Chairman	1 Mar 2016
Karen Phin	Non-Executive Director	23 Apr 2014

Overview of Governance Committees

	Audit & Risk Committee	Remuneration & Nominations Committee
Members	<ul style="list-style-type: none"> • Robert Fraser (Chair) • John Eales • Paul Lewis • Hamish McLennan • Karen Phin 	<ul style="list-style-type: none"> • Paul Lewis (Chair) • John Eales • Robert Fraser • Hamish McLennan • Karen Phin
Role	<ul style="list-style-type: none"> • Oversees Magellan’s responsibilities relating to financial reporting, relevant statutory requirements, internal controls, risk management functions and audit 	<ul style="list-style-type: none"> • Oversees Magellan’s remuneration practices and policies including Executive Chairman & CEO Remuneration, performance measures and incentive structures • Reviews board succession planning

Executive Committee

Management	Biography
Hamish Douglass <i>Chairman, CIO and Lead Portfolio Manager</i>	<p>Hamish Douglass is Co-Founder, Chairman and Chief Investment Officer of Magellan Financial Group, and Lead Portfolio Manager of Magellan's Global Equity strategies. Hamish is a former member of the Australian Government's Foreign Investment Review Board (FIRB), the Australian Government's Financial Literacy Board, former Acting President of the Australian Government's Takeovers Panel and former Co-Head of Global Banking at Deutsche Bank, Australasia. Hamish is a Director of the Victor Chang Cardiac Research Institute. He holds a BCom from the University of NSW.</p>
Brett Cairns <i>CEO</i>	<p>Brett Cairns was formerly co-head of the Capital Markets Group within Structured Finance at Babcock & Brown, which he joined in 2002. Brett was a former Managing Director and Head of Debt Capital Markets for Merrill Lynch in Australia where he worked from 1994 to 2002. Prior to joining Merrill Lynch, Brett spent 3 years with Credit Suisse Financial Products, the then derivatives bank of the Credit Suisse group. Brett has a BE (Hon 1), PHD and MBA all from The University of Sydney.</p>
Kirsten Morton <i>Chief Financial Officer</i>	<p>Kirsten Morton joined Magellan in June 2013. Prior to Magellan, Kirsten gained 20 years' experience in funds management (real estate), banking and media. She has held various finance positions including Head of Finance – ASX Listed & Unlisted Property/REITs at Colonial First State Global Asset Management, Group Financial Controller roles at The GPT Group and Fairfax Media and spent 12 years at PricewaterhouseCoopers in audit, accounting consulting services and insolvency management, both in Australia and the US. Kirsten is a Fellow of the Institute of Chartered Accountants, actively involved in the Chartered Accountants Program, a board member of the financial reporting panel for the Australian Institute of Chartered Accountants and honorary auditor for Glaucoma Australia.</p>
Craig Wright <i>Head of Governance & Advisory</i>	<p>Craig Wright joined Magellan in March 2014. Prior to Magellan, Craig worked in corporate development in the UK at Rentokil Initial PLC and The Hertz Corporation, where he led a number of M&A, joint venture, restructuring and strategic projects. Craig also spent over 15 years in equities markets and investment banking, and was previously a director at Deutsche Bank, providing strategic advice to Australian companies and advising on capital raising and M&A transactions. Craig holds a Bachelor of Economics from the University of Queensland, a Graduate Diploma of Applied Finance & Investment from the Financial Services Institute of Australasia and a Masters in Applied Finance from Macquarie University.</p>
Marcia Venegas <i>Head of Risk, Compliance and Legal / Chief Compliance Officer & Company Secretary</i>	<p>Marcia Venegas joined Magellan in November 2015. Prior to Magellan, Marcia was Chief Compliance Officer at Platinum Asset Management in Sydney for 5 years. Before that, she held senior roles, including Chief Compliance Officer, in the USA at Dodge & Cox. Marcia brings over 20 years' experience in the financial services industry in Australia and the USA and has been responsible for national and international regulatory requirements, the development and maintenance of risk and compliance frameworks, licensing, proxy voting, training and liaising with regulators, auditors and clients. She holds a Bachelor of Arts from Wollongong University.</p>

Executive Compensation

Magellan has structured compensation to reward staff for performance and provide alignment with shareholders with minimal dilution

	Brett Cairns	Hamish Douglass	Other KMP & Employees
Fixed remuneration	<ul style="list-style-type: none"> • \$1,545,000, inclusive of superannuation 	<ul style="list-style-type: none"> • \$2,500,000, inclusive of superannuation 	<ul style="list-style-type: none"> • Market-based base salaries, inclusive of superannuation
Variable incentive	<ul style="list-style-type: none"> • Up to 50% of fixed remuneration • Based on performance metrics the Board believes are important to the long term success of the business 	<ul style="list-style-type: none"> • Up to 200% of fixed compensation based on the performance of the Global Equity strategy 	<ul style="list-style-type: none"> • Generally up to 100% of fixed remuneration <ul style="list-style-type: none"> – >100% in exceptional circumstances • Based on individual performance / contribution and the overall performance of Magellan • Not formulaic → part of an overall performance appraisal process • Partial cash paid / partial cash deferral
SPP participation	<ul style="list-style-type: none"> • One-off SPP offer of \$5,000,000 with a tenure of 10 years 	<ul style="list-style-type: none"> • Not entitled to participate in SPP as owns 22.2 million shares which provides a material alignment with shareholders 	<ul style="list-style-type: none"> • Operates a Share Purchase Plan (SPP) in which employees are invited to subscribe for MFG shares at the prevailing market price • Magellan offers financial assistance to SPP participants of up to 75% of the subscription value via a full recourse, interest free loan • Employees enter into an equitable mortgage whereby 25% of post-tax bonus and all MFG dividends are swept to repay the loan • Allows employees to have a meaningful ownership in Magellan (with reference to their salary) in a shareholder friendly manner • Interest free component is a benefit to employees and is expensed by Magellan

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